



The Association of Real Estate Funds

AREF FUNDamentals

Training Series – Session 3

Introduction to Fund Taxation

6 November 2025

#AREFFUNDamentals

Proudly sponsored by:





The Association of Real Estate Funds

Welcome from our Sponsors
Aztec Group



An award-winning alternatives specialist, trusted by Europe's leading fund managers

Clients can proceed with confidence, knowing they're partnering with a specialist administrator that's trusted by peers.

SPECIALISTS, NOT GENERALISTS

Our business and operating model is built exclusively around alternatives. From our controls and processes to our teams of asset class specialists, we're focused entirely on delivering operational excellence to alternative investment managers.

QUALITY FUND LOCATIONS

Our clients only ever be work with teams based in top-tier jurisdictions. We're fiercely passionate about quality and have never outsourced service delivery to low-cost centres.

PRIORITISING CLIENT RELATIONSHIPS

Our growth has been measured and organic, driven by client demand rather than M&A activity. This strategy delivers long-term continuity for our clients and avoids the potential disruption of business integration.

SINGLE PARTNER SOLUTION

We can provide a full suite of European fund management and operational requirements through one integrated solution, providing clients with the convenience, efficiencies and reassurance that comes with working with a single partner they can trust

€760^{bn+} 
AUA across leading
fund jurisdictions

2,200 
Employees
specialising in alternatives

360+ 
Alternative
investment clients

6 Leading fund
jurisdictions

- Jersey
- Guernsey
- UK
- Luxembourg
- U.S.
- Ireland




1,000+ 
Funds
spanning the
major asset
classes

4,600+ 
Entities
administered

1 in 3 
clients have migrated
from other administrators

20,000+ 
Investors onboarded

99% 
Client
retention rate

CONFIDENTIAL



About Aztec NxtGen

NxtGen is an Aztec Group initiative for young professionals within the private funds industry.

The aim of the group is to provide members with opportunities for networking, creating meaningful connections and supporting professional growth for the future leaders in our industry.

Aztec NxtGen journey so far

- May 2024 - Rooftop drinks – The Madisson
- In September 2024 - Breakfast Networking – The Happenstance
- December 2024 Breakfast networking - Duck & Waffle
- March 2025 – Networking drinks - Oche The Strand,
- March 2025 NxtGen panel event (Luxembourg)
- July 2025 – Rooftop drinks (London)
- 19 November 2025 – Networking drinks – Little Scarlett Door



Scan the QR code to join our Aztec NxtGen LinkedIn group today!



200+ members on LinkedIn



Initiative rolled out in our UK, Luxembourg, Jersey and Guernsey offices



6 successful events across the UK and Lux, hosting 126 attendees



Presenters



Nick Burt
Partner, CMS



Charles Crowe
Managing Director, Head of
UK Investment, PGIM Real
Estate

Agenda

- | | |
|----------|---|
| 08:45 | Welcome and housekeeping – Charles Crowe |
| 08:50 | Fund structures and key taxation considerations – Nick Burt |
| 10:05 | Q&A |
| 10:15/30 | Close |

The FUNDaamentals Series

- Session 1** Introduction to Funds Foundation – available on AREF website
- Session 2** Introduction to Fund Regulation & Structures available on AREF website
- Session 3** Introduction to Fund Taxation (today)
- Session 4** Introduction to Fund Terms (Q1 2026)
- Session 5** Introduction to Fund Financials & Performance (Q2 2026)
- Session 6** Introduction to Fund Transactions (Q3 2026)

AREF Fundamentals – Fund Taxation

Nick Burt
6 November 2025

The Basics

A fund is a vehicle for collective investment by two or more investors whose money is invested on a pooled basis by an investment manager for a fee.

Tax efficiency – An investor should be no worse off having invested in the Fund, when compared with a direct investment in the underlying asset, and could possibly be better off.

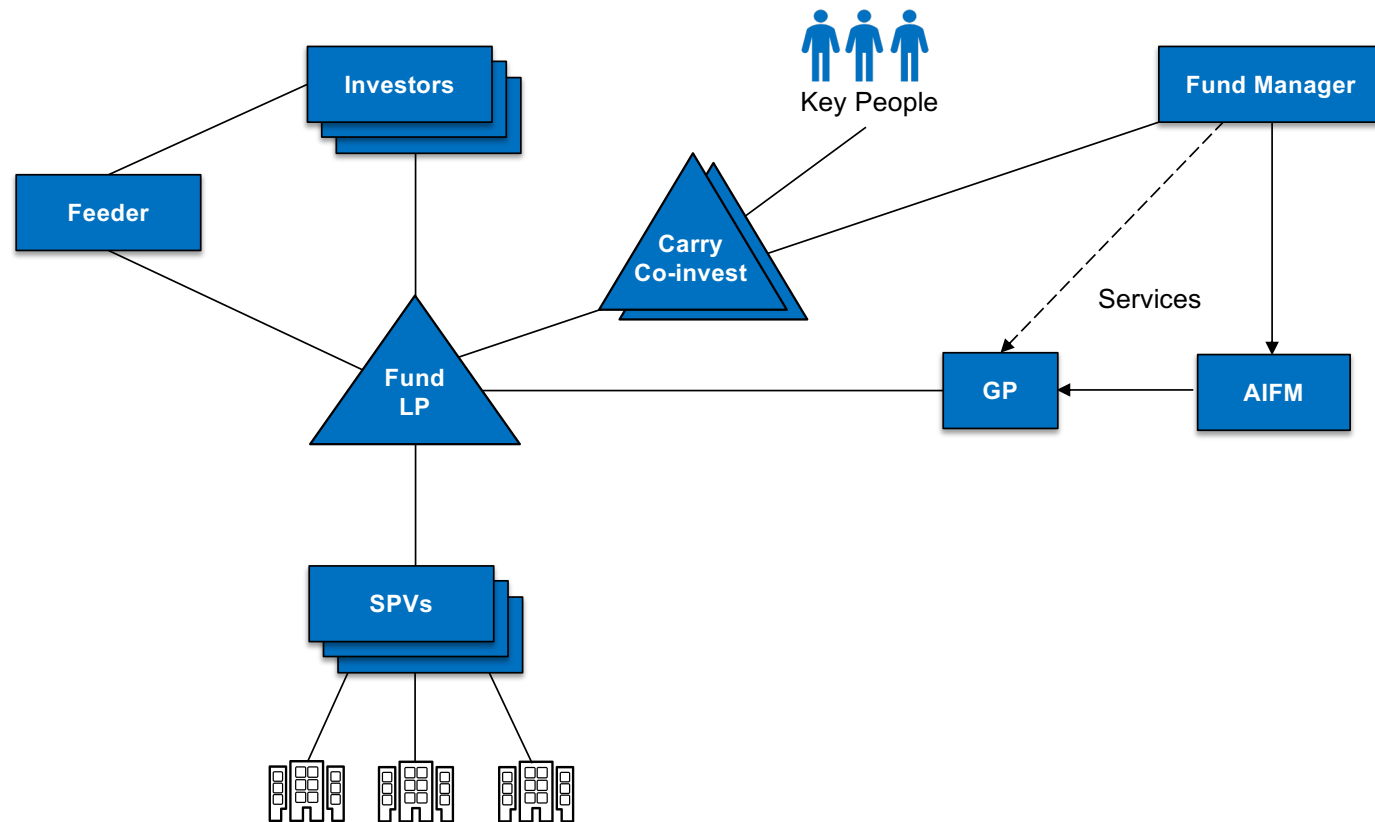
Key issues:

- What are the target investments?
- Who are the target investors?

Taxes to be considered:

- Direct taxes – income and capital
- Withholding tax (“WHT”)
- VAT
- Transfer taxes (SDLT, stamp duty, RETT)

Real Estate Fund Structure



Fund Vehicle

Partnership:

- Tax transparent
- Very flexible for fund terms
- Used within the BVCA MoU model

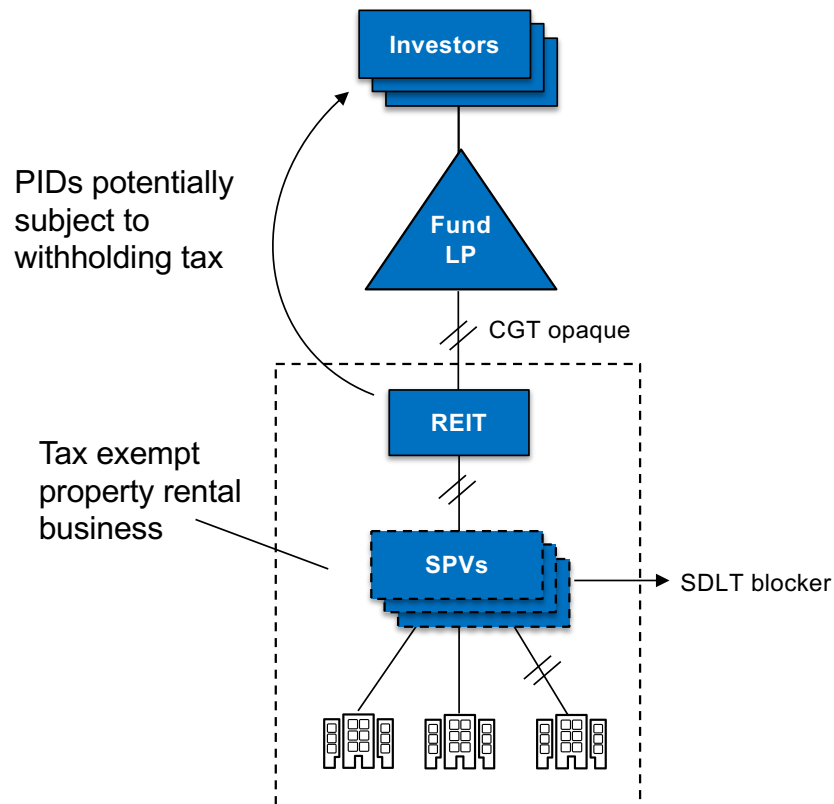
Company:

- Tax opaque – potential tax leakage
- Less flexible for fund terms

Other:

- Unit trust, contractual arrangement, etc
- Tend to be tax transparent

UK Investments – Private REIT



Tax features:

- Tax exemption within the REIT for property rental business (“PRB”)
- Distributions can be paid gross depending on investors
- Exit from the REIT within the scope of CGT
- SDLT efficiency for SPV sales

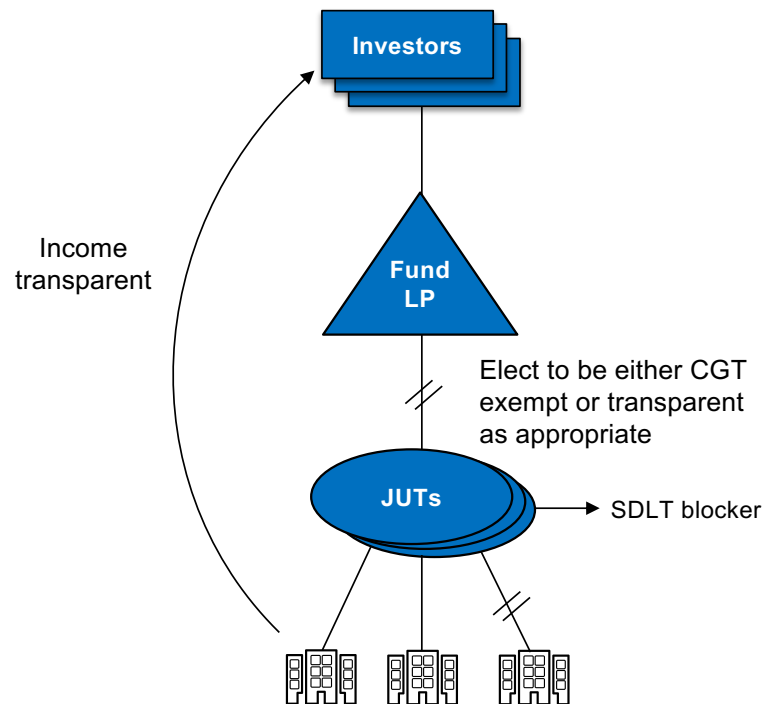
Pros:

- Onshore
- Tax profile works for taxable and exempt investors
- Can have SPVs within the structure

Cons:

- More complicated than other structures with specific REIT conditions

UK Investments – Jersey Unit Trust (“JUT”)



Tax features:

- Income transparent
- Within the scope of CGT, but flexible for NRCGT purposes – able to elect for transparency or exemption
- SDLT efficiency for SPV sales

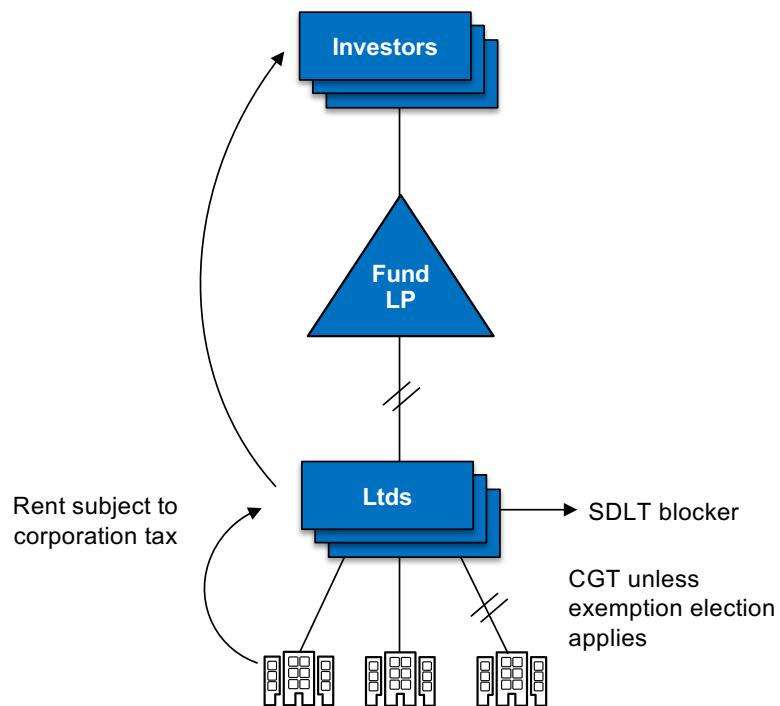
Pros:

- Can be used as an SPV or fund
- Tax profile works for taxable and exempt investors
- Well understood / established

Cons:

- Offshore
- Tax profile may be inferior to a private REIT for certain taxable investors

UK Investments – Company



Tax features:

- Tax opaque, so pays corporation tax on income and gains
- Interest deductions may be available subject to transfer pricing/anti-avoidance
- Dividends not subject to WHT
- Exit within the scope of CGT, and latent CGT liability within the SPV
- SDLT efficiency for SPV sales
- Qualified asset holding company (“QAHC”) is not tax exempt in respect of UK property, but does work for other asset classes

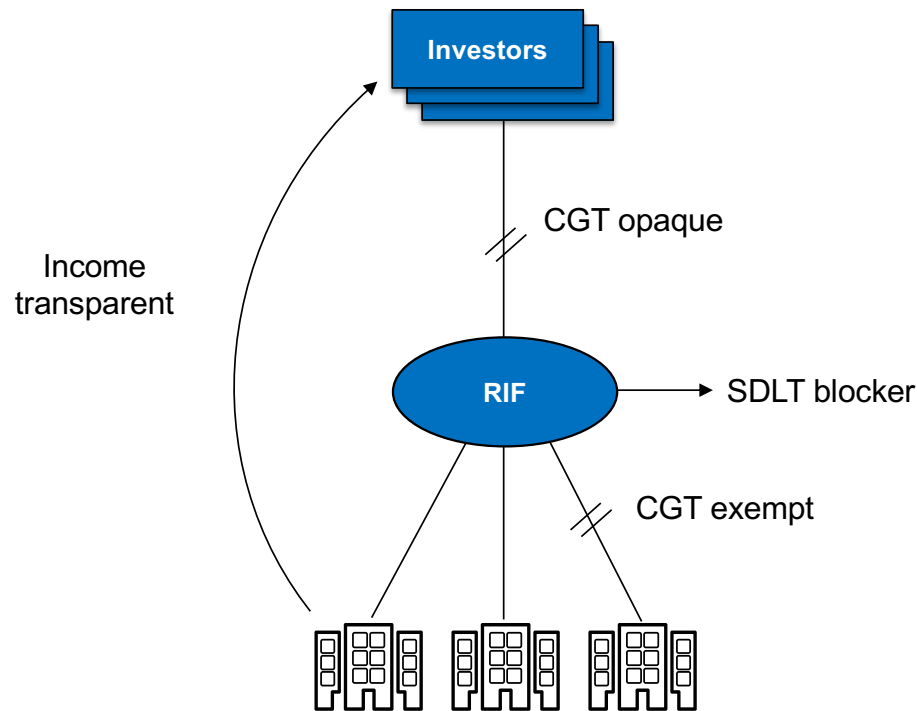
Pros:

- Straightforward
- Can be onshore or offshore
- May be appropriate for trading transactions

Cons:

- Corporation tax leakage for tax exempt investors
- Potential double CGT/latent profit charge

UK Investments – Reserved Investor Fund (“RIF”)



Tax features:

- Income transparent and CGT exempt within the RIF
- Exit within the scope of CGT
- SDLT seeding relief

Pros:

- Onshore
- Tax profile works for tax exempt investors
- SDLT seeding relief

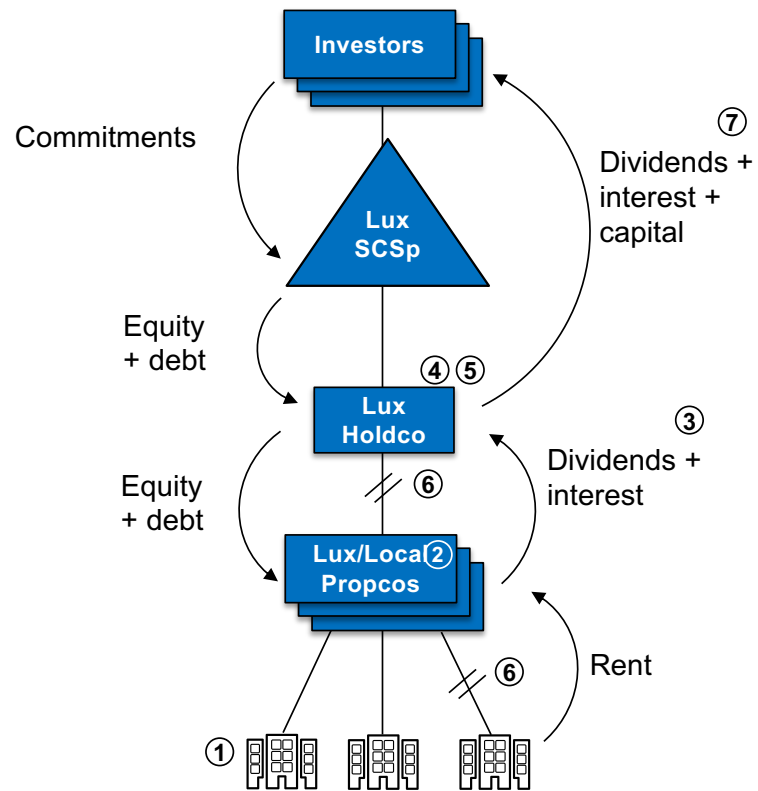
Cons:

- Must be an alternative investment fund (“AIF”) so can’t be used as an SPV
- Tax profile may be inferior to a private REIT for taxable investors
- Novel structure

UK Investments – Return on Income Comparison

Type of Investor	Holding vehicle	After tax distribution	Investor level taxation	Return
UK corporate	Company	75 (25% corporation tax)	Nil (dividend exemption)	75
	REIT	100 (tax exempt)	25% (property income)	75
	JUT/RIF	100 (tax transparent)	25% (property income)	75
UK pension fund / other tax exempt investor	Company	75 (25% corporation tax)	Nil (tax exempt)	75
	REIT	100 (tax exempt)	Nil (tax exempt)	100
	JUT/RIF	100 (tax transparent)	Nil (tax exempt)	100
Sovereign wealth	Company	75 (25% corporation tax)	Nil (tax exempt)	75
	REIT	100 (tax exempt)	Nil (tax exempt)	100
	JUT/RIF	100 (tax transparent)	Nil (tax exempt)	100
Other non-resident	Company	75 (25% corporation tax)	Nil (UK dividend JUT exemption)	75
	REIT	100 (tax exempt)	20% WHT subject to tax treaty reclaim (typically 15% but also 10% / 5% / 0%)	80 subject to relevant tax treaty (typically 85, but also 90 / 95 / 100)
	JUT/RIF	100 (tax transparent)	25% (property income)	75

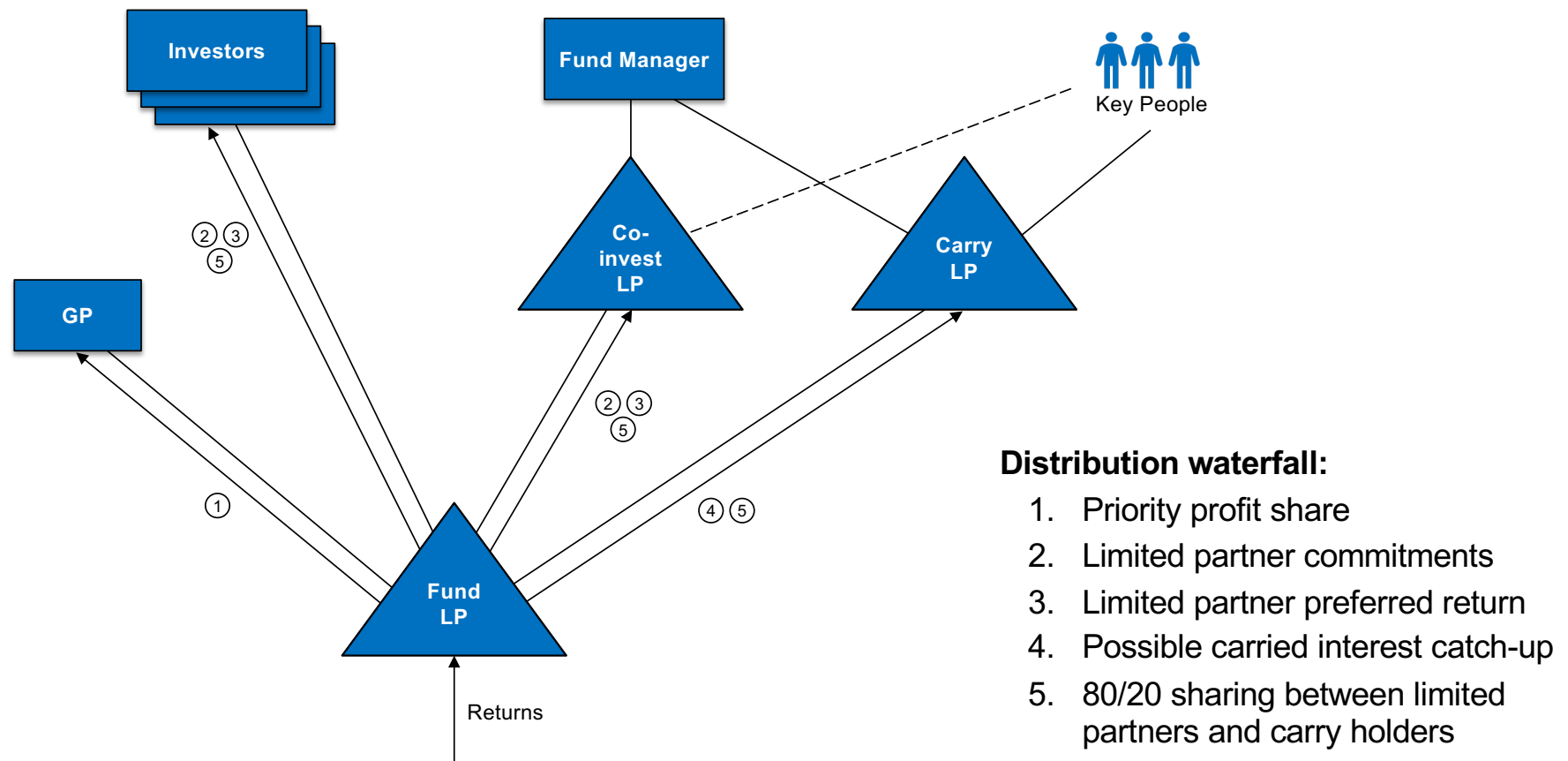
Pan-European Investment



Tax issues:

1. To consider RETT for direct and indirect acquisitions and disposals
2. Propco subject to local corporate income tax – to consider interest deductibility and transfer pricing
3. WHT exemption on dividend and interest payments under treaty/directive
4. Dividends likely to be tax exempt in Luxembourg due to participation exemption
5. Interest receipts likely to be taxable, but subject to deductions for onwards payment and transfer pricing restrictions
6. To consider CGT issues for relevant jurisdiction, with likely exemption in Luxembourg due to participation exemption
7. Funds to be repatriated without WHT as a payment of interest or return of capital

Carried Interest



Carried Interest - Existing UK Issues

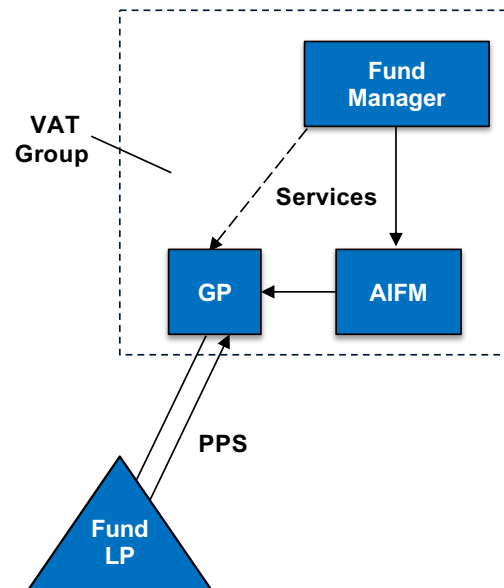
- BVC memorandum of understanding (“MoU”)
 - Model fund structure
 - Employment related security (“ERS”) deemed to have been acquired for its unrestricted market value
- Disguised investment management fee (“DIMF”) rules
- Income based carried interest (“IBCI”) rules
- Need to return capital to benefit from lower tax rate – trading vs investment

Carried Interest - New UK Regime

- From 6 April 2025 – 5 April 2026:
 - New CGT rate for carried interest of 32%
- From 6 April 2026:
 - Carried interest subject to income tax and national insurance contributions (“NICs”)
 - 72.5% multiplier applies to leave an effective tax rate of 34.075% for qualifying carry
 - Regime applies to income and capital
 - Exemption from IBCI for employees to be removed so ≥ 40 month average holding period required to be “qualifying” (tapering between 36 and 40 months)
 - 60 UK workday threshold
 - No minimum co-investment or holding period for the carry is required

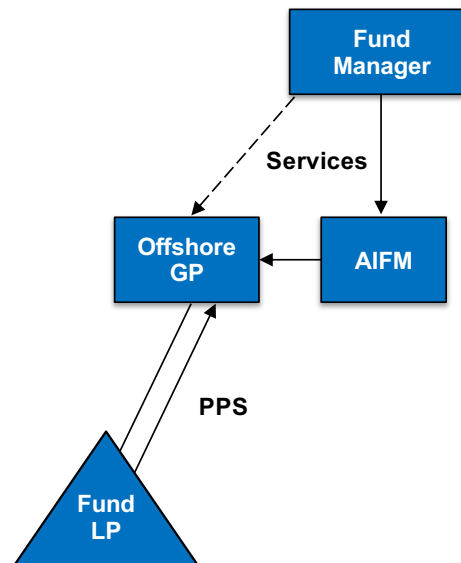
Management Fees - VAT

UK



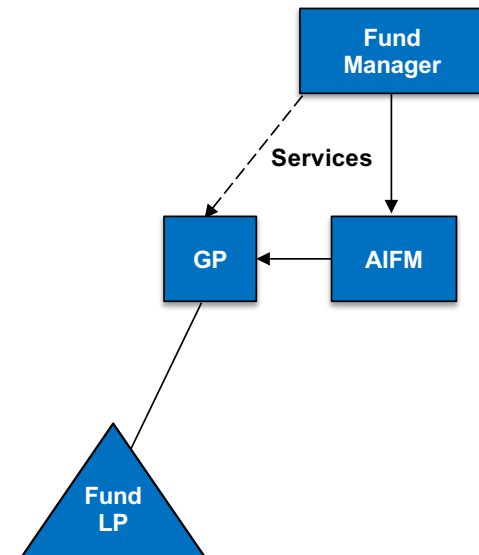
- Supplies within a VAT group are ignored

UK



- B2B supplies to offshore GP are outside the scope of the UK VAT, unless specific to UK land

Luxembourg



- Luxembourg fund management exemption applies

Anti-avoidance

- Pillar II – Global minimum tax rate
- BEPS / ATAD
 - Anti-hybrid rules
 - Interest deductibility restrictions
- Central management and control / substance
 - Anti-treaty shopping provisions (Principal Purpose Test (“PPT”) / Limitation of Benefits (“LoB”))
 - Beneficial ownership
- Information notification
 - Foreign Account Tax Compliance Act (“FATCA”)
 - Common Reporting Standard (“CRS”)
 - DAC6

Anti-avoidance

Investment / fund design:

- Anti-hybrids
- Interest deductibility
- Anti-treaty shopping
- Beneficial ownership

Information reporting:

- FATCA
- CRS
- DAC6

LPA protections:

- Information requirements
- Investor indemnity
- Kick-out rights

Investment into the fund:

- Anti-hybrids
- Pillar II

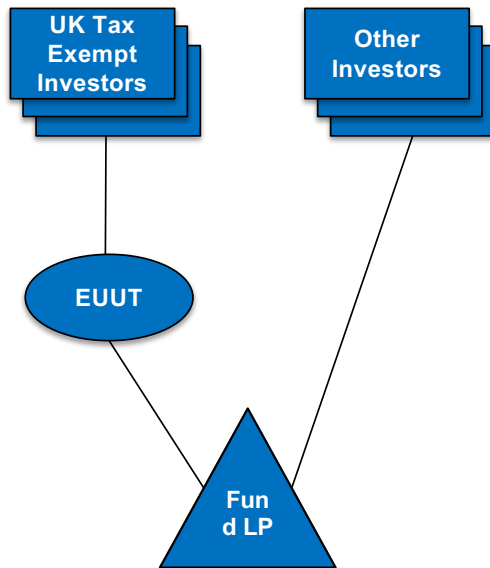
LPA protections:

To address prior to investment, but:

- Investor indemnity
- Restructuring requirement
- Kick-out rights

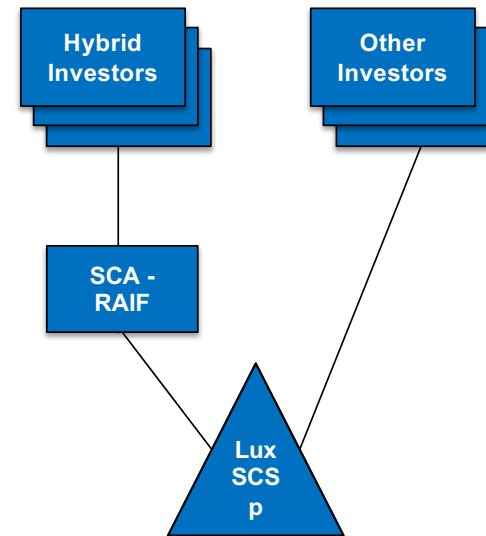
Feeders

Investors shielded from the Fund



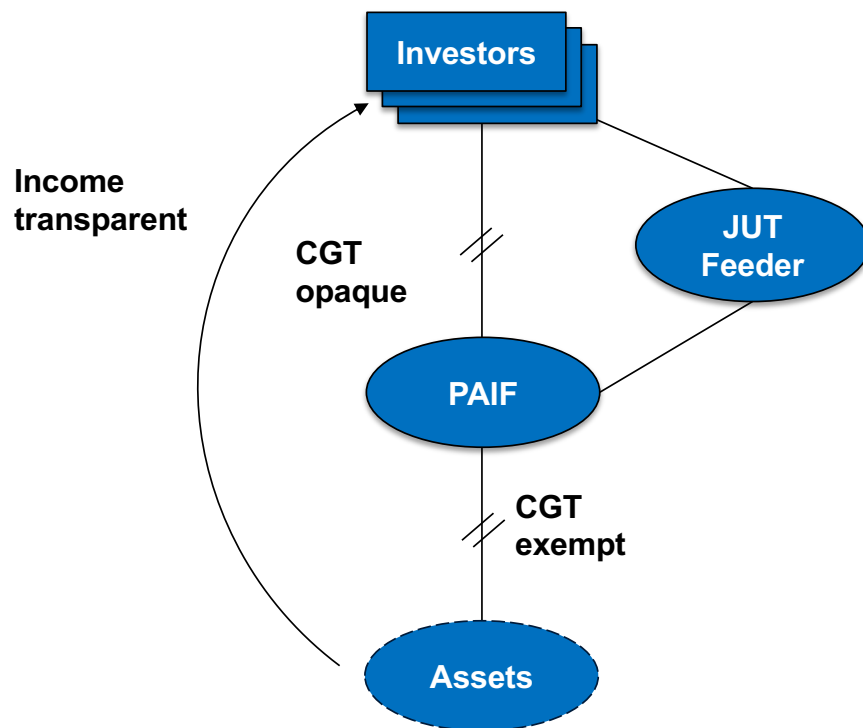
- UK tax exempt investors need to be shielded from underlying trading income

The Fund shielded from investors



- Investors create an anti-hybrid issue with direct investment where they do not see the SCSp as tax transparent

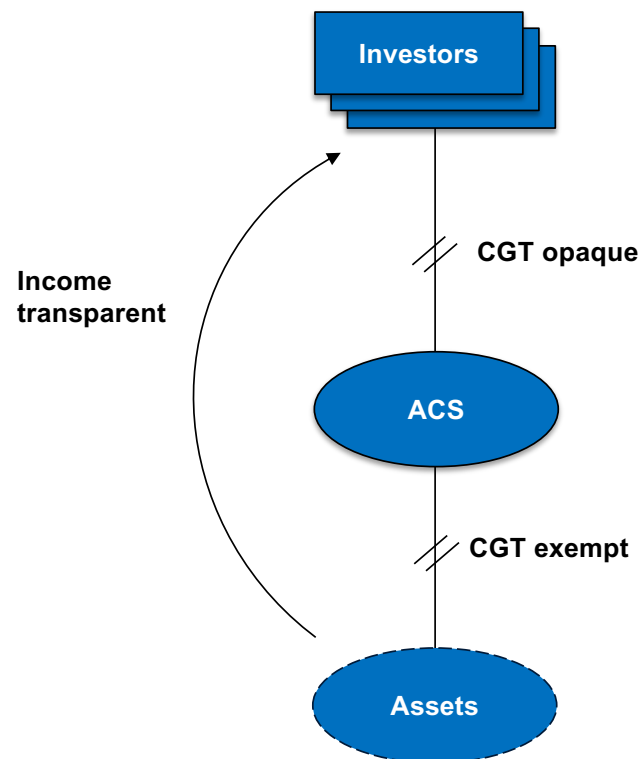
UK Regulated Real Estate Fund Structures



Property authorised investment fund (“PAIF”)

- Income transparent. PIDs and interest distributions potentially subject to WHT
- Capital gains exempt, but investors potentially subject to capital gains tax on disposal of the PAIF
- No stamp duty, SDRT or SDLT on transfer of transfers of interests in the PAIF
- SDLT seeding relief available to seed property into the PAIF
- PAIF conditions similar to a REIT

UK Regulated Real Estate Fund Structures



Authorised contractual scheme (“ACS”)

- Income transparent. Interest distributions potentially subject to WHT
- Capital gains exempt, but investors potentially subject to capital gains tax on disposal of the ACS
- No stamp duty, SDRT or SDLT on transfer of transfers of interests in the ACS
- SDLT seeding relief available to seed property into the ACS
- Can be established as an LTAF

Contact

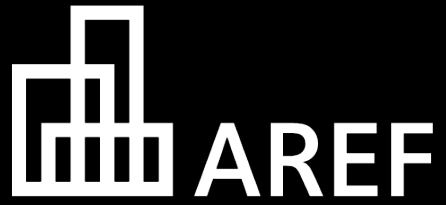


Nick Burt
Partner | Tax

CMS London

T +44 20 7524 6338

E Nick.Burt@cms-cmno.com



The Association of Real Estate Funds

Q&A



Thank you to our speakers

Thank you to Aztec for sponsoring

Thank YOU for attending